

FY 2006/2007 Budget - How to Use This Book - Volume One

The City of Scottsdale's budget for FY 2006/07 is comprised of three volumes:

Volume One - Budget Summary includes the City Council's Mission Statement and Broad Goals, the City Manager's Transmittal Letters, and Adopted Financial Policies. The Five-Year Financial Plan covers the period FY 2006/07 through FY 2010/11, which forecasts results of operations by fund and incorporates the operating expenses of capital improvements for the period.

Volume Two - Program Operating Budget presents the individual programs within each department. The publication includes specific information about the program descriptions, goals and objectives, performance measures, customers, partners, and staffing, along with a summary of the program operating budgets by expenditure category and the applicable funding sources.

Volume Three - Capital Improvement Plan (CIP) includes the Capital Project Budget and Five-Year Capital Improvement Plan with more detailed information for each project. Projects accounted for in Enterprise funds are also included in the Capital Project Budget. Capital Project Budget funding sources are matched with budgeted expenditures. Future year operating impacts are noted in the Capital Budget and are also included in the Five-Year Financial Plan.

FY 2006/07 Adopted Budget Summary - Volume One

Volume One begins with the **City Manager's Transmittal** letters dated March 23 for the Proposed Budget and June 6, 2006 for the Adopted Budget. The March 23 letter was used to transmit the City Manager's proposed budget to City Council and highlights the prevailing economic condition under which the budget was prepared. The June 6 letter conveys the key elements of the adopted budget and the changes from the proposed budget.

The **Overview** section of Volume One describes in further detail the City's budget development process, which includes the roles and responsibilities of the City Council, Budget Subcommittee, departmental staff, review teams, and the Budget staff in the budget development process, the budget adoption, implementation and amendment processes, the use of contingency/reserves, the basis of accounting used to prepare the budget, and the relationship of the operating budget to the capital budget. This section concludes with a summary of the City's adopted Comprehensive Financial Policies, which are used to build the budget and manage the City's finances.

The **Fund Summaries & Five-Year Plan, Budget by Fund, and the Capital Improvement Plan** sections of Volume One represent the core of the City of Scottsdale's adopted FY 2006/07 budget. The Fund Summaries & Five-Year Plan provides a retrospective and prospective view of the City's funds. The first part of the Budget by Fund section, entitled Legal Compliance and Financial Management, offers a brief explanation of the City's use of fund accounting to maintain fiscal accountability. Next, a summary entitled Fund Accounting-Fund Types provides the reader with a description of the generic governmental fund types used by the City.

After an explanation of the fund types, a summary of the revenues, expenditures and fund balance by individual funds are presented. The **Budget by Fund** section concludes with two matrixes: 1) Program Operating Budget by Department/Program and 2) Program Budget Relationship with Mayor and City Council's Broad Goals.

The **Capital Improvement Plan** of Volume One provides an overview of the City's CIP development process, project evaluation criteria, funding sources, operating impacts associated with capital projects, and a capital projects list. This section references the reader to Volume Three for further detailed information on capital projects such as the project description, funding source(s), and geographic location.

Volume One concludes with the **Appendix** that provides a summary of authorized full-time and part-time FTEs by department, a summary of authorized staff positions by City department and fund type, the City departmental staff support in the budget development effort, a Five-Year Debt Service Schedule, Schedule of Long-Term Debt Outstanding, a Computation of the Legal Debt Margin as of June 30, 2006, and a General Fund Five-Year Privilege Tax Forecast. A Glossary of terms used throughout the City's budget is also included in this section along with the City Council's ordinances reflecting the adoption of the City's FY 2006/07 budget and property tax levy.

Recommended Budget Practices

The City of Scottsdale budget process incorporates the recommended practices promulgated by the National Advisory Council on State and Local Budgeting (NACSLB). Concurrently, City staff applies diligent effort into improving the process, decisions and outcomes with each new budget year.

The NACSLB was created to provide tools for governments to improve their budgeting processes and to promote their use. In fulfilling that role, the NACSLB set forth a framework that has provided the context for development of a set of budget practices for state and local governments. The significance about the practices is that they represent an unprecedented cooperative effort by several organizations with diverse interests to examine and agree on key aspects of good budgeting. The NACSLB was founded by eight organizations representing elected officials, government administrators, and finance professionals at both the state and local government level.

The NACSLB's work focused on long-term financial planning and encourages governments to consider the longer consequences of actions to ensure that impacts of budget decisions are understood over a multi-year planning horizon and to assess whether program and service levels can be sustained. Practices encourage the development of organizational goals, establishment of policies and plans to achieve these goals, and allocation of resources through the budget process that are consistent with goals, policies and plans. There is also a focus on measuring performance to

determine what has been accomplished with scarce government resources. The following are excerpts of the NACSLB's guiding principles and budget practice recommendations.

Budget Definition

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.

A good budget process is characterized by several essential features:

- Incorporates a long-term perspective
- Establishes linkages to broad goals
- Focuses budget decisions on results and outcomes
- Involves and promotes effective communication with stakeholders
- Provides incentives to government management and employees

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals. A good budget process moves beyond the traditional concept of line-item expenditure control, providing incentives and flexibility to managers that can lead to improved program efficiency and effectiveness.

Mission of the Budget Process

The mission of the budget process is to help decision-makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.

Communication and involvement with citizens and other stakeholders is stressed. The broad nature of the budget mission allows issues to be addressed that have limited the success of budgeting in the past. Apathy is a serious illness of government. It is in the best interests of government to have involved stakeholders.

The term stakeholder refers to anyone affected by or who has a stake in government. This term stakeholder includes, but is not limited to: citizens, customers, elected officials, management, employees and their representatives (whether unions or other agents), businesses, vendors, other governments, and the media.

It is vital that the budget processes include diverse stakeholders. The budget process should accomplish the following:

- Involve stakeholders
- Identify stakeholder issues and concerns
- Obtain stakeholder support for the overall budgeting process
- Achieve stakeholder acceptance of decisions related to goals, services, and resource utilization
- Report to stakeholders on services and resource utilization, and serve generally to enhance the stakeholders' view of government

The importance of this aspect of the budget process cannot be overstated. Regular and frequent reporting is necessary to provide accountability, educate and inform stakeholders, and improve their confidence in the government. Communication and involvement are essential components of every aspect of the budget process.

Principles and Elements of the Budget Process

The budget process consists of four broad principles that stem from the definition and mission previously described. These principles encompass many functions that spread across a governmental organization. They reflect the fact that development of a balanced budget is a political and managerial process that also has financial and technical dimensions.

Each of the principles of the budget process incorporates components or elements that represent achievable results. These elements help translate the guiding principles into action components. Individual budgetary practices are derived from these elements and are a way to accomplish the elements. The principles and elements provide a structure to categorize budgetary practices.

- 1) Establish Broad Goals to Guide Government Decision-Making - A government should have broad goals that provide overall direction for the government and serve as a basis for decision-making.
 - a) Assess community needs, priorities, challenges and opportunities
 - b) Identify opportunities and challenges for government services, capital assets, and management
 - c) Develop and disseminate broad goals
- 2) Develop Approaches to Achieve Goals - A government should have specific policies, plans, programs, and management strategies to define how it will achieve its long-term goals.
 - a) Adopt financial policies
 - b) Develop programmatic, operating, and capital policies and plans
 - c) Develop programs and services that are consistent with policies and plans
 - d) Develop management strategies
- 3) Develop a Budget Consistent with Approaches to Achieve Goals - A financial plan and budget that moves toward achievement of goals, within the constraints of available resources, should be prepared and adopted.
 - a) Develop a process for preparing and adopting a budget
 - b) Develop and evaluate financial options
 - c) Make choices necessary to adopt a budget
- 4) Evaluate Performance and Make Adjustments - Program and financial performance should be continually evaluated, and adjustments made, to encourage progress toward achieving goals.
 - a) Monitor, measure, and evaluate performance
 - b) Make adjustments, as needed

The NACSLB's work goes on to identify 59 practices to achieve the higher-level activities identified in the principles and elements of budgeting. Scottsdale's budget process attempts to incorporate all of the NACSLB's recommended practices.

Budget Roles and Responsibilities

Every City of Scottsdale employee plays a role in the City's budget — whether in its formulation, preparation, implementation, administration, or evaluation. Ultimately, of course, each General Manager, through the City Manager, and the Charter Officers, is accountable to the City Council for the performance of program personnel in meeting City Council's Broad Goals (see the Introduction section) and specific work plan objectives within allocated resource limits.

The actual budget responsibilities of the employees are identified more specifically below:

The **Program Manager** is responsible for preparing an estimate of remaining cost requirements and revenues, if applicable, for the current fiscal year, projecting the base budget requirements for the next fiscal year, and developing other requests that change or revise the program so that it will be more effective, efficient, productive, and economical.

The City departments have **Budget Liaisons** and **CIP Liaisons** that coordinate the day-to-day budget management within their respective departments and with the Budget staff. The **Budget Liaisons** serve as the vital communication link between their City department and their Financial Services Department Senior Budget Analyst on matters related to their specific operating budget. Budget Liaisons are responsible for coordinating information, checking to see if forms are completed properly, making sure that all necessary documentation is submitted, monitoring the internal review process to meet timelines, and serving as troubleshooters for problems throughout the budget process. The **CIP Liaisons** essentially serve the same role as the Budget Liaisons; however, their focus is on the coordination of capital projects, multi-year capital planning and capital project operating impacts with the Budget staff. In many cases the same

individual serves as both the departmental Budget Liaison and CIP Liaison. A list of Budget Liaisons and CIP Liaisons and their area of responsibility appears in the Appendix.

The **CIP Technology Review Team** and **CIP Construction Review Team** are comprised of mid-level staff from various City departments. These cross-departmental teams are responsible for reviewing the initial review of all of the City's capital projects. Their reviews are focused on timing and cost considerations, compiling lifecycle costs, and preparing a preliminary Capital Improvement Plan recommendation for review and revision by the General Managers, Budget staff, Chief Financial Officer, Assistant City Managers, City Manager, City Council and various boards and commissions comprised of citizens. A list of Coordination Team members appears in the Appendix.

The **Division Directors, General Managers, and Charter Officers** are responsible for reviewing historical performance, anticipating future problems and opportunities, considering alternative solutions, and modifying and assembling their program data into a cohesive budget information package. Each General Manager is responsible for evaluating, reviewing, justifying and prioritizing all program budget operating and capital budget requests for their department. Only those requests, that a General Manager believes support the City Council's Broad Goals, City Manager work plan, administrative direction, and program objectives are to be submitted to the Budget staff.

The **Budget Director** and **Senior Budget Analysts** are responsible for preparing the multi-fund short-range and long-range revenue and expenditure forecasts, calculating user and indirect cost rates, developing the process and related forms for preparing and monitoring the budget, providing budget training sessions to the Budget Liaisons and CIP Liaisons, coordinating the compilation of budget data, analyzing operating and capital budget requests, evaluating and summarizing budget requests from departments and preparing budget review materials for the Chief Financial Officer (CFO), Assistant City Managers, City Manager, Budget Subcommittee, City Council, media and citizens.

The **Budget Director, Chief Financial Officer (CFO)**, and **Assistant City Managers (ACM)** collaborate in developing programmatic, operating, and capital policies and financial plans that help define how Scottsdale will achieve its long-term goals. They are responsible for reviewing the program operating budget and capital budget requests and working with program managers to develop program and service recommendations that are consistent with City Council's Broad Goals, management strategies, and the City's Adopted Comprehensive Financial Policies (see immediately after the Budget Process in the Overview section).

The **City Manager** is responsible for reviewing the total financial program and submitting a balanced Citywide proposed budget, which supports the City Council's Broad Goals as established by the Mayor and City Council.

The **City Council Budget Subcommittee** gathers citizen input and priorities regarding the City's budget early in the budget development process. Immediately after the City Manager's proposed budget is released, the Subcommittee holds two public budget forums in different geographic locations in the City. The budget forums allow citizens the opportunity to provide feedback to the Budget Subcommittee on the proposed budget and to share their priorities. Also, in late March and early April, the Subcommittee holds budget work sessions with each of the department heads to review their proposed operating and capital budgets. The sessions are open to the public and are intended to assess how well the department's proposed budget aligns with the earlier citizen input, priorities, and supports the City Council's Broad Goals established by the Mayor and City Council. The Subcommittee reviews many key aspects of the City Manager's proposed budget such as -- the City's multi-year Financial Plan including an examination of the revenue forecast and related assumptions, employee compensation changes including healthcare and retirement costs, changes to rates and fees, debt schedules and property tax rate and the capital budget. In early May prior to the City Council's first public budget hearing, the Subcommittee members report their findings to the full City Council during a

public meeting.

The **Mayor and City Council** initially set the direction for staff related to the forthcoming budget by establishing broad goals for the organization, which serve as a basis for decision-making. The budget process culminates in late spring with the Mayor and City Council, which are ultimately responsible for the review of the City Manager's proposed budget, tentative budget adoption and final adoption of the budget.

City of Scottsdale's Budget Process

Scottsdale's budget process is a key aspect of its strategic visioning and planning efforts - allowing City Council and staff the opportunity to reassess goals and objectives and the means for accomplishing them. While the budget may be reviewed by the Mayor and City Council in May and adopted in early June, its preparation begins with the City Council's fall retreat, which is open to the public. During the retreat the Council members collaborate on establishing a mission and broad goals for the community and articulating their priorities. During the retreat relevant issues are discussed such as methods of expanding and enhancing public input, and the most recent Economic/Revenue Forecast, and emerging budget/policy issues.

The City Council's feedback from the retreat provides the groundwork and starting point for the staff to begin framing the program operating budget and the capital project budget.

Needs Assessment and Financial Capacity Phase

In this phase, which begins in the late summer and continues up to the final budget adoption, the staff compiles and updates on an ongoing basis the City's multi-fund, multi-year revenue forecast. The first year of the revenue estimates is the most critical in the process, as they will ultimately define the expenditure limitations for the forthcoming budget year. The multi-year revenue perspective further refines the City's planning for current and future period expenditures — with the goal of not adding programs, services or staff which do not have a "sustainable" funding source over the five year planning timeframe.

The preliminary assumptions are used to forecast the City's fiscal capacity and provide the financial framework within which the proposed program budget service levels, capital budget operating impacts and capital infrastructure project budgets must be developed.

Also, during this key phase the City staff is assessing what programs, services, and capital needs exist as seen by our citizens, boards, and commissions. Public input and involvement are an extremely important and value added component of Scottsdale's budget process in assessing citizen satisfaction with services and establishing priorities for the coming budget year(s).

Another way the City gathers public input and further insight into citizens' budget priorities for the forthcoming budget is through the City Council Budget Subcommittee. After the City Manager's proposed budget is released in early March, the Budget Subcommittee holds a public budget forum in two different geographic locations to receive feedback from citizens on the proposal. The Budget Subcommittee then conducts public budget work sessions reviewing the departmental/program budgets and the proposed multi-year Financial Year Plan and proposed budget with the City staff in budget work sessions.

The staff and City Council also use the Economic/Financial Updates and Financial Trends Analysis Report as integral parts of the budget decision-making process incorporating both short and long-range economic and financial forecasts, program objectives and financial capacity to sustain service levels. The most recent Economic/Financial Updates and Financial Trends Analysis Report may be viewed on the City's Internet web site: www.ScottsdaleAZ.gov.

The City's infrastructure needs (capital improvement projects) are also evaluated and play an important role in forecasting related short and long-term operating needs. The General Fund's ability to absorb the ongoing operating costs associated with proposed capital projects is an especially significant criterion in assessing whether a project moves forward in the Capital Improvement Plan and receives funding in the proposed Program Operating and Capital Budgets.

During this early phase of the budget development, the Financial Services Department staff make key fiscal forecasting assumptions, i.e., reserve funding, capital funding contributions, and compensation adjustments with special consideration given to major compensation cost drivers such as healthcare and retirement increases. The projected impacts of cost/inflation over the City's multi-year expenditure projections are also considered and factored into the analysis. The Financial Services Department staff prepares the multi-year revenue forecast for all major revenue sources using historical trend analysis as the starting point and then modifies the results to reflect emerging or known changes in each revenue source. Using the updates from the Financial Services Department staff monthly revenue meetings, the earlier multi-year revenue projections are further updated and refined. This is an ongoing process before the budget is adopted, and usually results in at least monthly updates to the multi-year revenue projections. The review and forecasting process is an iterative one and continues with monthly monitoring by the Financial Services Department staff after budget adoption.

The preliminary assumptions are used to forecast the City's fiscal capacity and provide the financial framework within that program service levels and capital infrastructure project budgets must be developed.

Policy/Strategy Development and Prioritization Process Phase

At its fall retreat, the City Council typically review the citizen input, Financial Policies, Economic Trends Analysis, citizen survey results and the most current Financial Forecast. They discuss broad organizational goals, priorities, and constituents' suggestions and expectations for Scottsdale. From this, the City Council establishes broad goals and strategic directives, which are the cornerstone for the development of the budget. These broad goals provide the overall direction for Scottsdale and serve as a basis for decision-making. The executive and senior management staff updates City financial policies, plans, programs, and management strategies to define how the City will achieve the broad goals. It is within this framework that the City staff formulates the proposed Program Operating and Capital Budgets.

Budget Development and Prioritization Process Phase

In the early fall, the Capital Improvement Plan development begins in conjunction with the City's financial forecasts. Initial departmental capital project requests and changes to existing capital projects are reviewed by cross-departmental teams for accurate costing, congruence with City objectives and prioritized using a set of predetermined criteria. Financing sources are then sought for the highest-ranking projects. The teams involved in this process include the CIP Technology Review Team and the CIP Construction Review Team. The CIP Technology Review Team is made up of mid-level technology managers from various City departments. The CIP Construction Review Team is made up of mid-level Capital Project Management staff with expertise in public building planning and construction, street improvements, stormwater management, landscaping, etc. The staff, when developing their Program Operating Budget plans, closely considers the operating impacts of current and proposed capital projects. Staff also considers City Council's Broad Goals and strategic directives as they develop program objectives and work plans for the budget period.

Later in the fall after the CIP is underway, the City staff updates their proposed performance measurements. The performance measurements are developed to measure results and ensure accountability, which enable managers and policy makers to evaluate progress towards stated goals and objectives. The staff also prepares their proposed Program Operating Budgets at this time, using a zero-based program budget approach, which requires that the budget be prepared solely at the existing service operating levels – no modifications are permitted at this stage of the budget development. The departmental staff is also asked to evaluate their programs and/or positions for possible trade-offs, reductions or eliminations, or service level changes to offset inflation, contractual, compensation, and benefit cost increases.

Under the City's zero-based program budget approach, any proposed changes in service levels, new programs, population/service growth, additional staff, and program trade-offs resulting in service level reductions/increases must be submitted to the

Budget Office in an Evaluation Decision Package. An Evaluation Decision Package provides extensive analysis and justification for the department's request and is reviewed by the City Manager and Assistant City Managers during the budget development and prioritization process. In the later stages of the City's budget development process, Evaluation Decision Packages are considered and balanced among numerous competing demands within the City's available, ongoing resources. When funding needs exceed the City's funding limits, remedies may be one or more of the following: reduce base budget, identify new revenues, employ process management tools, and/or form partnerships with other City programs or non-profit organizations.

City Management Review and Modification Phase

In the early winter, the Departments submit their proposed Program Operating Budget and Capital Project Budget requests to the Budget Office. The Budget Director and Senior Budget Analysts compile the information and provide the first review of the material. The initial multi-faceted review focuses on: ascertaining the departments complied with the Budget Office's budget instructions, reviewing the mathematical accuracy and logic of the departmental base budget and capital project requests, and any Evaluation Decision Packages. The review also includes a broader assessment of whether the departmental budget proposals address City Council's Broad Goals, strategic directives, and program service needs while maintaining a Citywide perspective ensuring the fiscal integrity of the City (not exceeding our forecasted resources/limits).

The City Manager, Assistant City Managers, CFO, Budget Director and Budget staff collaborate on the development of a recommended Five-Year Financial Plan and proposed budget for each fund and submit to the City Council for review and adoption. As noted above, the City Council Budget Subcommittee also reviews the proposed multi-year revenue forecasts for reasonableness and the expenditure budgets for efficiencies and alignment with community needs and expectations.

Budget Subcommittee and City Council Review and Adoption Phase

In late March and early April, the City Council Budget Subcommittee holds public budget work sessions to review each department's proposed budget and the City multi-year Financial Plan. This review is detailed in nature and focuses on how the department's program operating and capital budgets address the articulated priorities of the public and City Council's Broad Goals.

During an early spring City Council meeting, staff presents the proposed operating and capital budgets to the City Council in a public meeting for consideration and further public input. The City Council Budget Subcommittee presents their findings to the full City Council in early May, before the City's first public budget hearing. The budget is also communicated to the general public in a summary format using a newspaper insert, "Budget in Brief" handouts, televised public City Council meetings and budget hearings, Internet and/or a combination of these formats.

The full City Council considers the proposed operating and capital budgets and holds work-study sessions and public budget hearings in April through early June. The sessions provide an opportunity for City management, departments, and the general public to offer information and recommendations to the City Council.

The series of required public budget hearings and Council work-study sessions are held and the City Council adopts the budget and property tax levy consistent with the City Charter and State law. Per the City Charter, the City Council must have Tentative Adoption of the proposed budget, on or before the second regular council meeting in May each year. This meeting is usually held in mid-May. *(Note: State law requires on or before the third Monday in July of each fiscal year, the City Council must adopt the tentative budget).* Tentative Adoption sets the legal maximum expenditure (i.e., appropriation) limit for the coming fiscal year budget. Under the City's Charter, the Final Adoption of the budget must occur at the first Regular City Council meeting in June. *(Note: There is no specific date set by state law for adoption of the final budget. However, for jurisdictions with a property tax, such as*

Scottsdale, the deadline for adoption of the property tax levy is the third Monday in August. Since state law requires a period of at least fourteen (14) days between adoption of the final budget and adoption of the property tax levy, the budget should be adopted by the first Monday in August of each year).

Arizona State law requires a "balanced" budget, which is "all-inclusive". Arizona State Revised Statute (ARS 42-17151) defines a "balanced" budget as follow:

"Fix, levy and assess the amount to be raised from primary property taxation and secondary property taxation. This amount, plus all other sources of revenue, as estimated, and unencumbered balances from the preceding fiscal year, shall equal the total of amounts proposed to be spent in the budget for the current fiscal year."

Under Arizona State law "all-inclusive" means if an item is not budgeted (i.e. does not have an appropriation), it cannot legally be spent during the fiscal year. Therefore, the budget must include sufficient appropriation and contingency provisions for expenditures related to revenues (i.e., possible future grants) that cannot be accurately determined or even anticipated when the budget is adopted in June. This budgetary flexibility allows the City to comply with the Arizona State law and to pro-actively pursue emerging revenue sources as the budget year unfolds. Expenditures (i.e., appropriations) associated with items such as possible future grants/revenues may not be spent without City Council's prior approval at a public meeting.

Arizona State Revised Statutes only requires communities to prepare budgets for two funds — the General Fund (ARS 42-17101) and Highway User Fund (ARS 28-6533) (See the Transportation Fund). In addition to these two funds the City prepares budgets and requests legal appropriation for all of its funds — Special Revenue, Debt Service, Enterprise, Internal Service, Grants, Trust and Capital Improvement Plan Funds. The ordinance adopting the annual budget requires City Council authorization for expenditures from the aforementioned funds, which in the aggregate constitute the City's total Operating, Capital Budget and Contingency/Reserves for purposes of complying with the State's

balanced budget and legal maximum appropriations requirements.

Implementing, Monitoring, and Amending the Budget Phase

In July, the City staff begins the process of implementing the newly adopted budget and is accountable for budgetary control throughout the fiscal year. Revenue and expenditure patterns are examined, compared to budget plans, and corrective action, if necessary, is taken during the fiscal year. Members of the Financial Services staff meet every month to review current demographic, economic and financial trends, which may impact the City, and to plan strategy to ensure the City's fiscal integrity. City management and City Council are also provided monthly Economic Update Reports disclosing actual revenue, expenditure, and fund balance performance as compared to the budget plan.

Upon the final adoption of the budget, staff incorporates any of City Council's approved changes to the Tentative Budget proposal and implements the Program Operating Budget and the Capital Improvement Plan. The final Program Operating Budget and Capital Improvement Plan are typically published no later than the end of July.

Scottsdale's programs and activities are periodically reviewed to determine if they are achieving City Council's Broad Goals, accomplishing strategic objectives and making efficient use of limited resources. City values of "plan and innovate for the future" and "focus on quality customer service" along with City Manager directed studies of several service and program areas during the next budget year help communicate this expectation. The Financial Services staff, senior management, and the Internal Audit staff all provide assistance to staff in their review of programs.

The staff of every City service or program is expected to conduct self-assessments and develop cost and quality measures of efficiency and effectiveness. Internal performance measurements are developed and reviewed on a periodic basis by program managers. Scottsdale's culture, along with the City value of "listen, communicate, and take action" stresses open communication and stakeholder involvement determining satisfaction

with programs and services and in identifying areas needing additional attention.

Ongoing monitoring of the City's financial performance is required of all program managers on a monthly basis. Written budget to actual expenditure variance reports must be submitted monthly by all City departments, if a variance exceeds pre-determined variance ranges, as established by the Budget Office. Additionally, the departments must be able to explain in writing to the Budget Office any impact of a variance on the projected year-end budget savings and/or fund balances.

The City of Scottsdale's Program Operating Budget is adopted at a department level and the Capital Improvement Plan is adopted at a project level.

The City uses the following as guidance for budget transfers:

All proposed budget transfers between departments and capital projects must be approved by the department General Manager, Budget Director, CFO and the City Manager *before* being submitted to City Council for consideration in a public meeting. If approved by City Council, the transfer is processed in the budget system by the Financial Services Systems Integrator staff.

Proposed salary budget transfers (51000 accounts) within the same department require the prior written approval of the department General Manager, department Budget Liaison, Senior Budget Analysts and the Budget Director and the City Manager. If approved in writing by the City Manager, the transfer is processed in the budget system by the Financial Services Systems Integrator staff.

Proposed non-salary budget transfers (52000, 53000 and 54000 accounts) within the same department require the prior written approval of the department General Manager, department Budget Liaison, Senior Budget Analysts and the Budget Director. If approved, the transfer is processed in the budget system by the Financial Services Systems Integrator staff.

In addition, proposed budget changes for capital projects funded by Bond 2000 require review by the Citizen Bond Review Commission at a public meeting and then the approval of City Council. All

requests for adjustment require written justification and an explanation of the fiscal impact, which is reviewed by the Financial Services staff prior to written approval.

All amendments to the budget that require a transfer from the Contingency/Reserve Funds require City Council's prior approval at a public meeting before the amendment can be made by staff.

Use of Contingency/Reserve Funds

The Contingency/Reserve Fund is strictly defined in the City's financial policies adopted by City Council annually and used when additional funds are necessary to offset events such as: unexpected revenue shortfalls or expenditure increases so that budgeted citizen service measures can be maintained; unanticipated grants are received; and when unanticipated and/or inadequately budgeted events threaten the public health or safety. Use of Contingency/Reserve Funds is to be utilized only after all alternative budget funding sources and other options have been fully considered. All Contingency/Reserve Fund requests require a written justification and an explanation of the fiscal impact, which is reviewed and approved in writing by the Budget Analyst, Budget Director, Chief Financial Officer, the applicable service area Assistant City Manager, and City Manager before being presented to City Council for consideration in a public meeting.

Budgetary and Accounting Basis

Scottsdale's budget is prepared on a cash basis of accounting for all fund types, which means certain transactions are recognized in the budget on a basis other than Generally Accepted Accounting Principles (GAAP), which is the basis used to prepare the City's Comprehensive Annual Financial Report (CAFR). The major differences between the budgetary and GAAP basis are:

Certain revenues, expenditures, and transfers are not included on the budget basis, but are accrued and reported on the GAAP basis. For example, increases or decreases in compensated absences are not reported for budget basis purposes, but are presented as revenues or expenditures on the GAAP basis.

Indirect administrative cost allocations (including in-lieu property tax and franchise fees) charges to the Enterprise Funds are accounted for as transfers in or out on the budgetary basis, but are recorded as revenues or expenses on the GAAP basis.

Capital outlays in the Enterprise Funds are presented as expenses for budget basis, but are recorded as assets along with associated depreciation expenses on the GAAP basis.

Capital contributions and gains or losses on the sale of capital assets in the Enterprise and Internal Service Funds are presented as increases or decreases to net assets on the GAAP basis, but not included for budget purposes.

Debt service principal payments in the Enterprise Funds are accounted for as expenses for budget purposes, but are reported as reductions of long-term debt liability on the GAAP basis.

Certain debt service principal and interest payments are accounted for as expenses in the General Fund for budget basis purposes, but are reported as expenses in the Debt Service Fund on the GAAP basis.

For budget purposes the Risk Fund presents claim expenditures on a cash basis, while on a GAAP basis the claim expenditures reflect an accrual for "incurred but not reported" (IBNR) claims.

All actual amounts in the budget document are shown on the budgetary basis to facilitate meaningful comparisons. Budgeted funds include the General, Special Revenue, Debt Service, Enterprise, Internal Service, Grants, Trust, and Capital Improvement Plan.

Operating and Capital Budget Relationship

The City of Scottsdale's Budget for FY 2006/07 is comprised of three volumes:

Volume One includes the City Council's Mission Statement and Broad Goals, City Manager's Transmittal Letters, and Adopted Financial Policies. The Five-Year Financial Plan covers the period FY

2006/07 through FY 2010/11 and forecasts results of operations by fund and incorporates the operating expenses of capital improvements for the period.

Volume Two presents the individual programs within each department. The publication includes program descriptions, specific information about the goals and objectives, customers, partners, staffing, along with a summary of the program operating budgets by expenditure category and the applicable funding sources.

Volume Three includes the Capital Project Budget and Five-Year Capital Improvement Plan with detailed information for each approved project. Projects accounted for in the City's Enterprise Funds (Water & Sewer, Solid Waste and Aviation) are also included in the Capital Project Budget. Capital Project Budget funding sources are matched with budgeted expenditures. Estimated future year operating impacts are noted in the Capital Budget and included in the Five-Year Financial Plan for all approved projects, if applicable.

Governmental accounting procedures and state law require expenditures for the Five-Year Capital Improvement Plan to be budgeted sufficiently to pay for an entire contract, meaning the legal authority is available and appropriated in the period in which a contract is entered into by the City. Therefore, capital expenditures are presented on a budget basis reflecting the total appropriated amount, as opposed to a cash flow basis, which may take several fiscal years to be paid out. For example, a 180-day construction contract entered into in May of fiscal year one would have cash expenditures from May of fiscal year one through October of fiscal year two, however, the entire budget for this contract must be appropriated in fiscal year one, the year in which the contract was entered; any unspent funds at fiscal year-end are carried forward and re-budgeted in year two.

Funding sources for the Five-Year Capital Improvement Plan are presented on budget basis, except for transfers-in from the Program Operating Budget, which are presented on a cash basis. These revenue sources are presented in the period that the funding will be transferred in order to provide continuity between the Program Operating Budget and the Capital Improvement Plan. As a result of

presenting the transfers-in on the cash basis, funding sources do not equal budgeted expenditures in each period, creating a fund balance as cash accumulates for larger expenditures in later years.

For further explanation of capital project funding sources and expenditures, refer to the Capital Improvement Plan section, and the Fund Summaries and Five-Year Plan section of this Volume.

Five-Year Financial Plan

The City's five-year financial planning process used to develop the budget is a year round process. The budget process begins in the early fall with the initial updating of the five-year financial plan for each of the City's major funds. The staff reviews the multi-year financial plans for the following funds that appear in the budget – General, Transportation, Preservation Privilege Tax, Special Programs, Special Districts, Debt Service, Water & Sewer, Solid Waste, Aviation, Fleet, Self-Insurance, and Trust. Using the latest fiscal, operational, and legislative information, the staff works collaboratively with the City departments to update the most recently adopted budget and to create a forecast for the current budget year. This forecast serves as the basis for the development of the City's proposed five-year financial plan.

In mid-March, the City Manager provides the City Council Budget Subcommittee and the City Council with the updated five-year financial plans for their review and consideration. The staff works with the Budget Subcommittee to review the underlying assumptions and reasonableness of the plans. The plans are used to develop the budget for the coming year (i.e. the first year of the plan) and subsequent out-years of the five-year financial forecast period. This time is also used to identify future service and financial issues requiring attention during the budget planning process.

The five-year financial plans provide City Council, City management, citizens and municipal bond rating agencies with the benefits of a long-term financial perspective of revenues, expenditures, transfers in/out, fund balances, and capital financing options. They also serve as the basis to test the potential impacts of proposed policy and operational modifications and pending legislative changes all intended to avoid subjecting citizens to wide or

irregular fluctuations in rates/fees and service levels. Proposed future operating impacts of capital projects are also included in the forecasts, which facilitates the planning, integration, and timing of the capital projects into the City's five-year financial plans. The City Council and City management use the plans to assess the impact of their proposed decisions in a long-range financial context. These decisions may include the proposed addition of new staff, new debt issuances and debt refunding, tax rates changes, the desire to create, modify or eliminate fees/rates, new or expanded services and state legislation and census changes. Based on the fiscal impact of these decisions, City Council has an opportunity to modify the proposed plans.

As noted above, the development and updating of the five-year financial plans is a year-round process. The staff monitors the current budget on a monthly basis and makes adjustments to the estimated annual revenues and expenditures based on the latest economic information, legislative changes and Council priorities. The revenue and expenditure variances and estimated ending fund balances are reported monthly to the City Council, City management and other stakeholders via the **City of Scottsdale Monthly Financial Update**. The staff also monitors and identifies changes in the financial and economic climates and considers solutions to negative trends, thereby preserving the financial health of Scottsdale.

The five-year financial plans are complemented by the Financial Services Departments preparation of the City's **Financial Trends Report**. The trends are prepared using the most recently completed fiscal year end audited financial information as the basis of the report and are issued in the early fall.

Revenue Forecasting

The City of Scottsdale uses both qualitative and quantitative methods for forecasting revenues, blending various techniques to develop conservative and prudent revenue projections. Qualitative revenue forecasting methods used by staff to develop multi-year financial plans include consensus, judgmental, and expert forecasting, while trend analysis is used as a quantitative technique. This balanced approach to revenue forecasting is strongly encouraged by the Government Finance Officers

Association (GFOA), since research shows that forecasting accuracy is improved by combining qualitative and quantitative techniques. According to the GFOA, each method by itself has inherent weaknesses: qualitative methods can be too subjective at times and may be subject to wishful thinking and selective perception on behalf of the forecasters; quantitative methods may fail to consider changing conditions inside and outside a jurisdiction and also tend to discount important historical events. By combining qualitative and quantitative methods, forecasters integrate judgmental assumptions within the forecasting framework to produce more realistic revenue projections.

To enhance the revenue forecasting process and gain the broader input into the planning process, the Financial Services staff works collaboratively with the City departments throughout the year to prepare the revenue estimates. This multi-disciplinary approach and continual reassessment creates a synergy between the central finance staff and the department field staff, which reduces the likelihood of miscommunications in formulating the revenue estimates. The field staff's participation in the revenue estimates also increases their ownership and accountability for achieving the proposed plan.

**City of Scottsdale's
Comprehensive Financial Policies**

The following City financial policies adopted by Resolution by the City Council establish the framework for Scottsdale's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. Scottsdale's publicly adopted financial policies show the credit rating industry and prospective investors (bond buyers) the City's commitment to sound financial management and fiscal integrity. The financial policies also improve the City's fiscal stability by helping City officials plan fiscal strategy with a consistent approach. Adherence to adopted financial policies promotes sound financial management, which can lead to improvement in City bond ratings and lower cost of capital.

Operating Management Policies

1. All departments will participate in the responsibility of meeting policy goals and ensuring long-term financial health. Future service plans and program initiatives will be developed to reflect current policy directives, projected resources and future service requirements. In order to ensure compliance with policy, sunset provisions will be required on all grant program initiatives and incorporated into other service plans, as appropriate.
2. The budget process is intended to weigh all competing requests for City resources, within expected fiscal constraints. Requests for new, ongoing programs made outside the budget process will be discouraged.
3. Budget development will use strategic multi-year fiscal planning, conservative revenue forecasts, and modified zero-base expenditure analysis that requires every program to be justified annually in terms of meeting intended objectives ("effectiveness criteria") and in terms of value received for dollars allocated ("efficiency criteria"). The process will include a diligent review of programs by staff, management, citizens and City Council.
4. A City Council Budget Sub Committee will solicit citizen input and serve in an advisory capacity in reviewing operating and capital budget recommendations from a departmental, program, and goals perspective.
5. Revenues will not be dedicated for specific purposes, unless required by law or generally accepted accounting practices (GAAP). All non-restricted revenues will be deposited in the General Fund and appropriated by the budget process.
6. Current revenues will fund current expenditures and a diversified and stable revenue system will be developed to protect programs from short-term fluctuations in any single revenue source. To ensure that Scottsdale does not become overly reliant on 'growth' revenues for operating needs, a minimum of 25% construction privilege tax revenues will be transferred annually to the Capital Improvement Program for one-time capital project use.
7. Addition of personnel will only be requested to meet program initiatives and policy directives, after service needs have been thoroughly examined and it is substantiated that additional staffing will result in increased revenue or enhanced operating efficiencies. To the extent feasible, personnel cost reductions will be achieved through attrition.
8. Enterprise (Water, Sewer, Solid Waste Management, and Airport) user fees and charges will be examined annually to ensure that they recover all direct and indirect costs of service and be approved by the City Council. Any unfavorable balances in cost recovery will be highlighted in budget documents. Rate adjustments for enterprise operations will be based on five-year financial plans.
9. All non-enterprise user fees and charges will be examined annually to determine the direct and indirect cost of service recovery rate. The acceptable recovery rate and any associated changes to user fees and charges will be approved by the City Council.

10. Development impact fees, as permitted by state law, for capital expenses attributable to new development will be reviewed annually to ensure that fees recover all direct and indirect development-related expenses and be approved by City Council. Any unfavorable balances in cost recovery will be highlighted in budget documents.
11. Capital equipment replacement will be accomplished through the use of a "rental" rate structure. The rates will be revised annually to ensure that charges to operating departments are sufficient for operation and replacement of vehicles and other capital equipment (fleet, computers, phones and copier systems). Replacement costs will be based upon equipment lifecycle financial analysis.
12. Grant funding will be considered to leverage City funds. Inconsistent and/or fluctuating grants should not be used to fund ongoing programs. Programs financed with grant monies will be budgeted in separate cost centers, and the service program will be adjusted to reflect the level of available funding. In the event of reduced grant funding, City resources will be substituted only after all program priorities and alternatives are considered during the budget process.
13. Balanced revenue and expenditure forecasts will be prepared to examine the City's ability to absorb operating costs due to changes in the economy, service demands, and capital improvements. The forecast will be updated annually, focus on a three-year horizon, but include a five-year outlook.
14. Alternative means of service delivery will be evaluated to ensure that quality services are provided to our citizens at the most competitive and economical cost. Departments, in cooperation with the City Manager, will identify all activities that could be provided by another source and review options/alternatives to current service delivery. The review of service delivery alternatives and the need for the service will be performed annually or on an "opportunity" basis.
15. Cash and Investment programs will be maintained in accordance with the City Charter and the adopted investment policy and will ensure that

proper controls and safeguards are maintained. City funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity, and financial return on principal, in that order.

16. The City will follow an aggressive, consistent, but sensitive to the circumstances policy of collecting revenues to the limit of our ability. Collection policy goal will be for all adjusted uncollectible accounts to be no more than .5 of 1% of the total City revenue being adjusted for bad debts annually.

Capital Management Policies

17. A five-year Capital Improvement Plan will be developed and updated annually, including anticipated funding sources. Capital improvement projects are defined as infrastructure or equipment purchases or construction which results in a capitalized asset costing more than \$25,000 and having a useful (depreciable life) of two years or more.
18. The capital improvement plan will include, in addition to current operating maintenance expenditures, adequate funding to support repair and replacement of deteriorating infrastructure and avoidance of a significant unfunded liability.
19. Proposed capital projects will be reviewed and prioritized by a cross-departmental team regarding accurate costing (design, capital, and operating) and overall consistency with the City's goals and objectives. Financing sources will then be identified for the highest ranking projects.
20. Capital improvement lifecycle costs will be coordinated with the development of the Operating Budget. Future operating, maintenance and replacement costs associated with new capital improvements will be forecast, matched to available revenue sources and included in the Operating Budget. Capital project contract awards will include a fiscal impact statement disclosing the expected operating impact of the project and when such cost is expected to occur.

21. Dedicated two tenths of percent (.2%) privilege tax revenue for transportation improvements will be restricted to funding the planning, design, construction and acquisition costs associated with building, renovating, or enhancing capital projects for streets, highways, traffic control, transit and aviation and transportation improvement operating costs.
22. Pay-as-you-go Capital Improvement Plan financing should account for a minimum of 25 percent of all capital improvement projects for each five-year planning period. Pay-as-you-go financing is defined as all sources of revenue other than City debt issuance, i.e., fund balance contributions, developer contributions, grants, endowments, etc.
23. Pay-as-you-go contributions up to 10% or \$500,000, whichever is less, may be authorized by City Council towards any single utility undergrounding improvement district. Any unused annual budget authorization may carryforward towards a maximum \$2 million appropriation for utility undergrounding capital projects that benefit the community as a whole.

Debt Management Policies

24. The City will seek to maintain and, if possible, improve our current bond rating in order to minimize borrowing costs and preserve access to credit.
25. An analysis showing how the new issue combined with current debt impacts the City's debt capacity and conformance with City debt policies will accompany every future bond issue proposal.
26. The City will communicate, and, where appropriate, coordinate with all jurisdictions with which we share a common tax base concerning our collective plans for future debt issues.
27. City Debt Service costs (GO, MPC, HURF, Revenue Bond, McDowell Sonoran Preservation and Contractual Debt) should not exceed 25% of the City's operating revenue in order to control fixed costs and ensure expenditure flexibility. Improvement District (ID) and Community Facility District (CFD) debt service is not included in this

calculation because it is paid by district property owners and is not an obligation of the general citizenry. Separate criteria have been established regarding ID and CFD debt policies.

28. General Obligation debt, which is supported by property tax revenues and grows in proportion to the City's assessed valuation and/or property tax rate increases, will be utilized as authorized by voters. Other types of voter-approved debt (e.g., water, sewer, and HURF) may also be utilized when they are supported by dedicated revenue sources (e.g., fees and user charges).
29. General Obligation debt issuances will be managed on an annual basis to match funds to Capital Improvement Plan cashflow requirements while being sensitive to the property tax burden on citizens. Careful management of bond issuances will allow the City to not exceed \$1.50 property tax per \$100 assessed value.
30. Municipal Property Corporation and contractual debt, which is non-voter approved, will be utilized only when a dedicated revenue source (e.g., golf course revenue, privilege tax, bed tax) can be identified to pay debt service expenses. The following considerations will be made to the question of pledging of project (facility) revenues towards debt service requirements:
 - a. The project requires monies not available from other sources.
 - b. Matching fund monies are available which may be lost if not applied for in a timely manner.
 - c. Catastrophic conditions.
 - d. The project to be financed will generate net positive revenues (i.e., the additional tax revenues generated by the project will be greater than the debt service requirements). The net revenues should not simply be positive over the life of the bonds, but must be positive each year within a reasonably short period (e.g., by the third year of debt service payments).

31. McDowell Sonoran Preservation debt service will be funded by the dedicated .35% privilege tax. The City's privilege tax to revenue bond debt service goal will be at least 1.5:1 for senior lien debt to ensure the City's ability to pay for preserve debt from this elastic revenue source.
32. Improvement District (ID) and Community Facility District *(CFD) Bonds shall be permitted only when there is a general City benefit. ID and CFD bonds will be utilized only when it is expected that they will be issued for their full term. It is intended that ID and CFD bonds will be primarily issued for existing neighborhoods desiring improvements to their property such as roads, water lines, sewer lines, streetlights, and drainage.
 - a. Improvement District debt will be permitted only when the full cash value of the property, as reported by the Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3/1 prior to issuance of debt and 5/1 or higher after construction of improvements. Should the full cash value to debt ratio not meet the minimum requirements, property value may be determined by an appraisal paid for by the applicant and administered by the City. In addition, the City's cumulative improvement district debt will not exceed 5 percent of the City's secondary assessed valuation. Bonds issued to finance improvement district projects will not have maturities longer than ten years.
 - b. Community Facility District debt will be permitted only when the full cash value of the property, as reported by the Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3/1 prior to issuance of debt and 5/1 or higher after construction of improvements. In addition, the City's cumulative facility district debt will not exceed 5 percent of the City's secondary assessed valuation. The landowner/developer shall also contribute \$.25 in public infrastructure improvement costs of each dollar of public infrastructure improvement debt to be financed by the district.
33. Debt financing should not exceed the useful life of the infrastructure improvement with the average (weighted) bond maturities at or below ten years.
34. A ratio of current assets to current liabilities of at least 2/1 will be maintained to ensure the City's ability to pay short-term obligations.
35. Bond interest earnings will be limited to funding changes to the bond financed Capital Improvement Plan, as approved by City Council, or be applied to debt service payment on the bonds issued for construction of this plan.
36. Utility rates will be set, as a minimum, to ensure the ratio of revenue to debt service meets our bond indenture requirement of 1.2/1. The City goal will be to maintain a minimum ratio of utility revenue to debt service of 1.6/1 or greater, to ensure debt coverage in times of revenue fluctuations attributable to weather or other causes, and to ensure a balanced pay-as-you-go Capital Improvement Plan.

Reserve Policies

37. All fund designations and reserves will be evaluated annually for long-term adequacy and use requirements in conjunction with development of the City's balanced five year financial plan.
38. General Fund Stabilization Reserve of 10 percent of annual general governmental (General and Transportation funds) operating expenditures will be maintained for unforeseen emergencies or catastrophic impacts to the City. Funds in excess of 10 percent, but not to exceed \$5 million, may be used for economic investment in the community when justified by the financial return to the City.
39. Debt Service Reserve will be funded with secondary property taxes, levied by City Council, sufficient to pay the bonded indebtedness for General Obligation bond principal and interest. A debt service sinking fund will be maintained to account for these restricted revenues and debt payments, as well as any additional debt amounts deemed to be advisable and necessary for any public or municipal purposes. An excise tax debt reserve will be funded at no less than the annual

debt service for all currently outstanding (1%) excise tax supported debt.

40. Water and Sewer Fund Reserves will be maintained to meet three objectives: (1) ensure adequate funding for operations; (2) to ensure infrastructure repair and replacement; and, (3) to provide working capital to provide level rate change for customers.
 - a. An Operating Reserve will be funded not to exceed 90 days of budgeted system operating expenditures to provide sufficient expenditure flexibility during times of unusual weather resulting in variations in average consumption and associated operating expenses.
 - b. A Replacement and Extension Reserve will be maintained, per bond indenture requirements, to meet the minimum requirement of 2% of all tangible assets of the system to ensure replacement of water and sewer infrastructure.
 - c. In addition, Working Capital will be funded based upon a multi-year financial plan to provide adequate cash for water and sewer capital improvements and to level the impact of rate increases upon our customers.
41. Solid Waste Management Fund Reserve will be funded not to exceed 90 days of budgeted system operating expenditures to provide contingency funding for costs associated with solid waste disposal. Costs may include site purchase, technology applications, or inter-governmental investment to maximize the value of waste disposal activities.
42. Aviation Fund Reserve will be funded not to exceed 90 days of budgeted system operating expenditures to provide contingency funding for costs associated with airport operations. Costs may include site purchase, technology applications, or inter-governmental investment to maximize the value of airport activities.
43. Self-Insurance Reserves will be maintained at a level, which, together with purchased insurance policies, will adequately indemnify the City's property, liability, and health benefit risk. A qualified actuarial firm shall be retained on an annual basis in order to recommend appropriate funding levels,

which will be approved by Council.

44. Fleet Management Reserve will be maintained based upon lifecycle replacement plans to ensure adequate fund balance required for systematic replacement of fleet vehicles and operational contingencies. Operating departments will be charged for fleet operating costs per vehicle class and replacement costs spread over the useful life of the vehicles.
45. Contingency Reserves to be determined annually will be maintained to offset unanticipated revenue shortfalls and/or unexpected expenditure increases. Contingency reserves may also be used for unanticipated and/or inadequately budgeted events threatening the public health or safety. Use of contingency funds should be utilized only after all budget sources have been examined for available funds, and subject to City Council approval.

Financial Reporting Policies

46. The City's accounting and financial reporting systems will be maintained in conformance with all state and federal laws, generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).
47. An annual audit will be performed by an independent public accounting firm, with an audit opinion to be included with the City's published Comprehensive Annual Financial Report (CAFR). The independent auditor will present CAFR and discuss audit findings concerning internal controls and operational efficiencies at a public meeting.
48. The City's CAFR will be submitted to the GFOA Certification of Achievement for Excellence in Financial Reporting Program. The financial report should be in conformity with GAAP, demonstrate compliance with finance related legal and contractual provisions, disclose thoroughness and detail sufficiency, and minimize ambiguities and potentials for misleading inference.

49. The City's CAFR will also be submitted to Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) as a continuing commitment to disclose thoroughness to enable investors to make informed decisions.
50. The City's Budget will be submitted to the GFOA Distinguished Budget Presentation Program. The budget should satisfy criteria as a financial and programmatic policy document, as a comprehensive financial plan, as an operations guide for all organizational units and as a communications device for all significant budgetary issues, trends and resource choices.
51. Financial systems will maintain internal controls to monitor revenues, expenditures, and program performance on an ongoing basis.